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September International Trade

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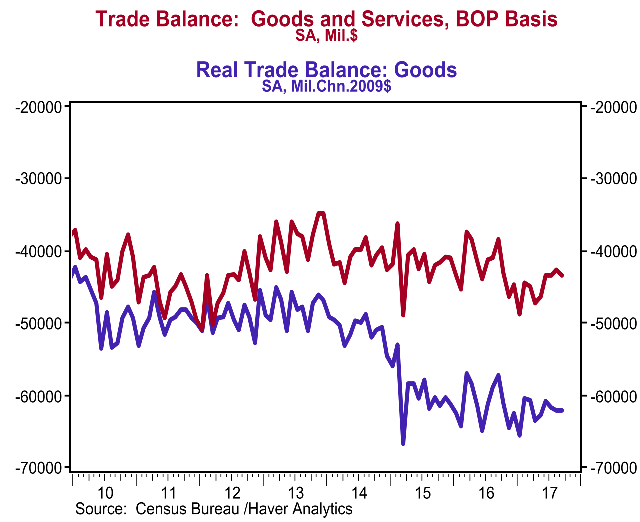
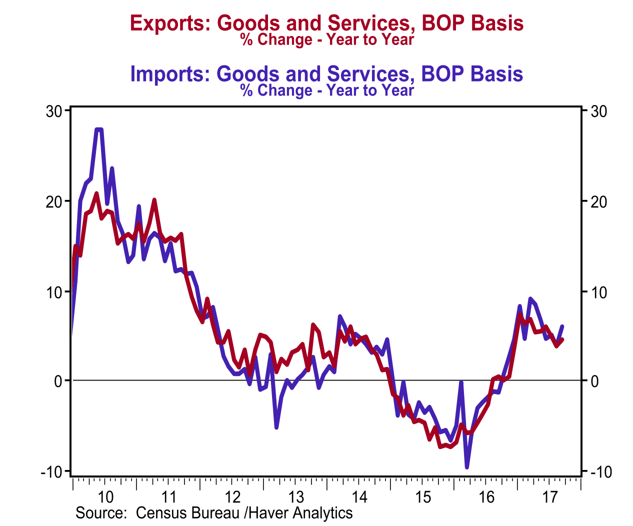
- The trade deficit in goods and services came in at $43.5 billion in September, slightly larger than the consensus expected $43.2 billion.
- Exports rose $2.1 billion led by crude oil, artwork, antiques & stamps and other goods. Imports rose $2.8 billion, led by petroleum products and semiconductors.
- In the last year, exports are up 4.6% while imports are up 6.0%.
- Compared to a year ago, the monthly trade deficit is $5.0 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $4.9 billion larger. The "real" change is the trade indicator most important for measuring real GDP.

Implications: The trade deficit expanded in September, coming in at $43.5 billion, a slightly larger trade deficit than the consensus expected. Exports rose $2.1 billion in September, to their highest level since December 2014, driven by crude oil as ports affected by hurricane Harvey reopened and made up for lost time. Imports rose $2.8 billion with all major categories growing except for autos. Both exports and imports are up from a year ago: exports by 4.6%, imports by 6.0%. We see expanded trade with the rest of the world as positive for the global economy, and total trade (imports plus exports) is up 5.4% in the past year, a great sign. Look for more of that in the year to come as economic growth accelerates in Europe and Japan. Better growth in Europe will increase global trade and US exports as well. In fact, exports to the EU grew 3.8% in September and are up 4.5% in the past year. In the meantime, international trade is on track to be a roughly neutral factor for real GDP growth in the fourth quarter, which looks like it will come in around a 3.5% annual pace. Trade is one of our four pillars to prosperity; freer trade leads to improved economic growth. And while we have our qualms with some of the talk coming out of Washington related to paring back free trade, there has been significantly more hot air than substance. We will watch trade policy as it develops, but don't see any reason yet to be sounding alarm bells.





International Trade *All Data Seasonally Adjusted, $billions*	Sep-17 Bil $	Aug-17 Bil $	Jul-17 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-43.5**	-42.8	-43.6	-43.3	-44.5	-38.5
Exports	**196.8**	194.7	194.5	195.4	194.1	188.1
Imports	**240.3**	237.5	238.1	238.6	238.7	226.6
Petroleum Imports	**14.3**	13.9	13.3	13.8	14.5	12.9
Real Goods Trade Balance	**-62.2**	-62.2	-61.8	-62.0	-62.2	-57.3

Source: Bureau of the Census